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Trinity College
HARTFORD CONNECTICUT

FAIR HOUSING AT ITS WORST IN HARTFORD, CONNECTICUT

REDLINING

EQUAL
HOUSING
LAW



education / instrucción

1170 Albany Avenue, Hartford, Connecticut 06112

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Education/Instruction expresses appreciation to Bill Brennan and Gerald Maine who have worked long and hard in the search and writing of this report in the YA BASTA series.

Special thanks to Andy Plunkett for assistance with the statistical charts.

Cover design by MaGee Graphics.

Preliminary Statement

Our last housing paper, Report 8 (5/17/74), detailed many operating procedures of the financial community which produce discriminatory results in lending on the basis of race, sex, national origin and geographic location. The barriers were categorized into "threshold" and "qualification". Report 8 concluded with a call for a major investigation of the lending practices of the Capitol Region financial community including full public disclosure of deposits and mortgage loans.

In April 1975, 32 Hartford lending institutions joined a voluntary plan to promote fair and open housing. The plan, approved by HUD and the Urban League of Greater Hartford, outlawed "redlining" without defining the concept or providing for any monitoring of practice or statistics.

In December 1975, the Federal Home Mortgage Disclosure Act was passed providing for the first release of mortgage loan statistics in late 1976; however, to the great discredit of Connecticut's trade associations like the Connecticut Bankers Association, the Savings Bank Association of Connecticut, and the Savings and Loan League of Connecticut, the issue of "redlining," "urban disinvestment," and full disclosure of property appraisals, loans and deposits remains a taboo subject for public discussion.

In 1977, the systematic disinvestment of urban properties by banks and insurance companies is common knowledge within the financial and real estate community. It is as obvious to all as the existence of racial "steering" and blockbusting practices were in 1974. Yet the banking community continues to wander on the subject like a herd of leaderless sheep:

"Redlining has not been a policy of Hartford National Bank...
...Because of the economic deterioration (of Hartford)...money
has been denied certain areas, I don't think it was conscious
redlining. I think what they (Education/Instruction) are trying
to say is that we are purposefully and intentionally redlining
areas. I don't know what came first. I think they think, banks
placing more money out of the city came first and I am saying
that economic deterioration came first followed by...prudent
banking practices."

Statement by Jan-Gee McCollam
Vice President Human Relations
Hartford National Bank to the
Hartford City Council March 1976.

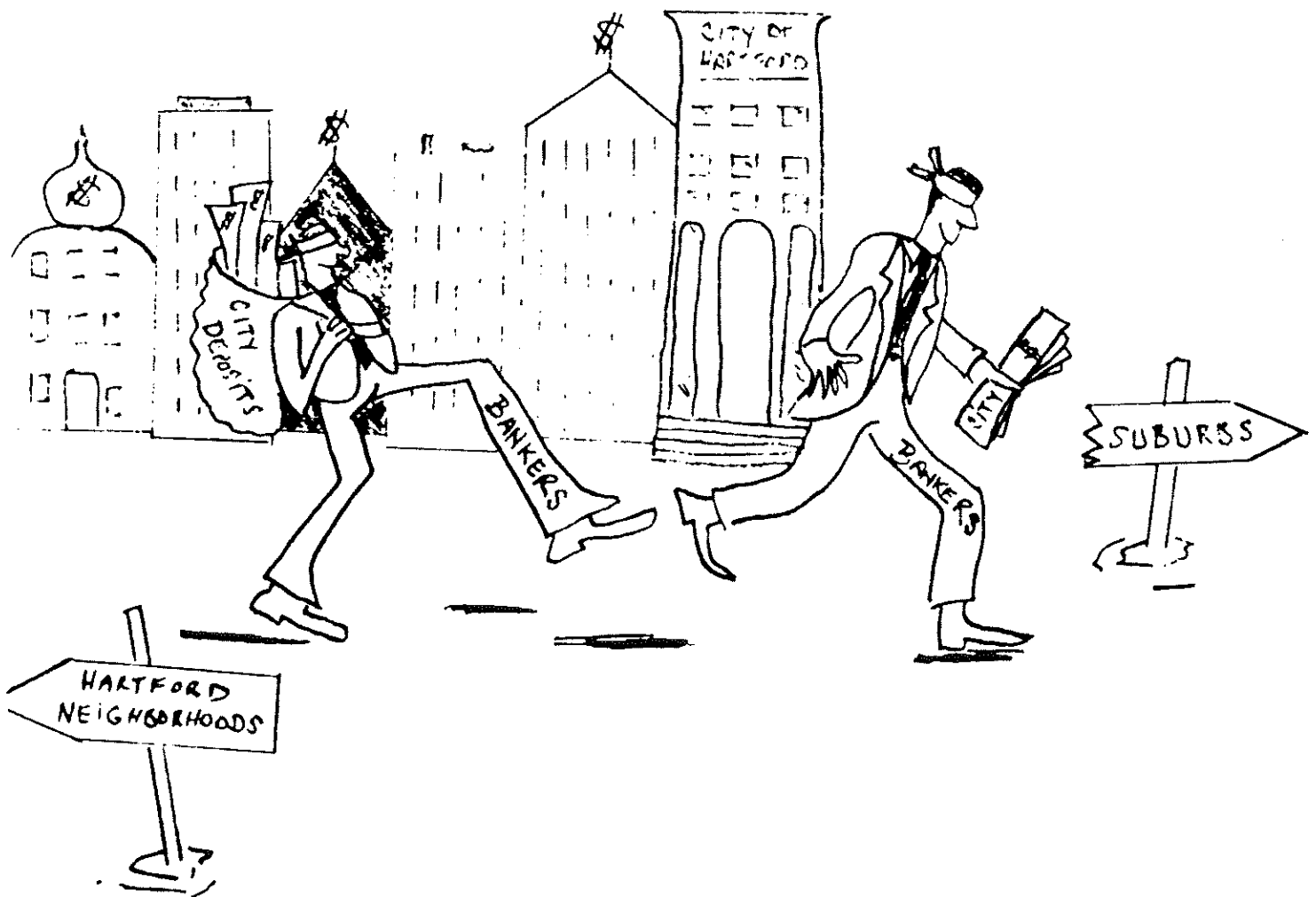
"CBT does not engage in redlining of any sort...our policy has
been and will continue to be, to lend money to all qualified
applicants for loans without regard to race, color, religion,
sex, national origin or physical handicap."

Statement of Gerald Lamb, Sr. Vice President
Connecticut Bank and Trust Co. to
Hartford City Council March 1976.

This report will analyze the mortgage loan data recently required to be disclosed by federal law. Through the Federal Deposit Insurance Corporation (F.D.I.C.) we have also obtained deposit figures by bank branch for the Capitol Region which for the first time provides the public with the comparison necessary to demonstrate a huge cash flow from the urban poor to support the investment opportunities of the racially segregated and wealthy suburbs.

It is significant that facts and figures are finally available to evaluate the practice of redlining in the Capitol Region of Connecticut.

It is equally significant and important that we realize the interrelationship of financial institutions involved in this redlining process, thereby giving taxpayers points of leverage through which to demand the investment of state and city funds in a way which supports the economic stability of Connecticut's urban centers.



Public Act 79-634 (Illinois Fairness in Lending Act) states (August 1975):

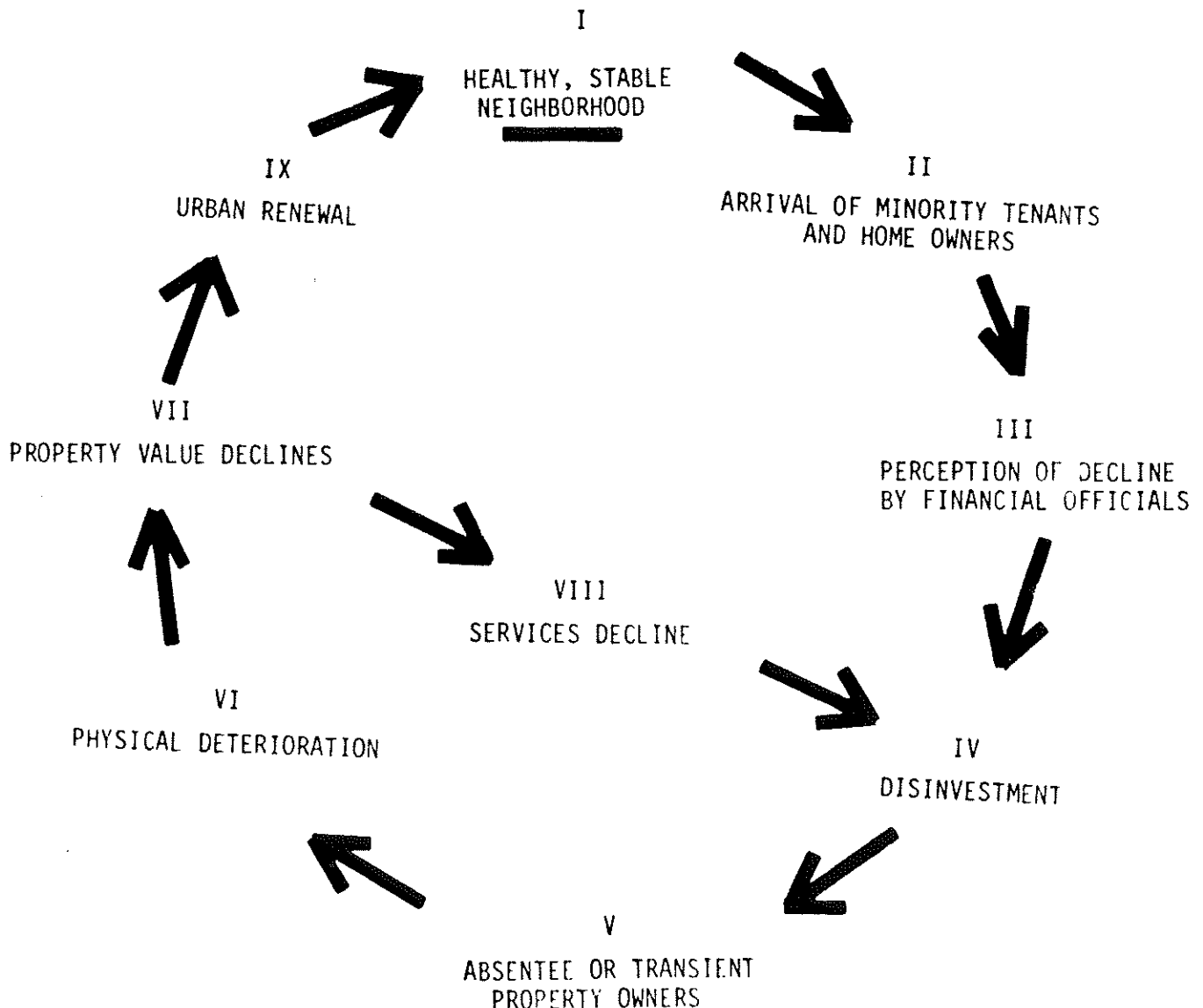
"No financial institution, in contemplation of any loan to any person, may deny or vary the terms of a loan on the basis that a specific parcel of real estate offered as security is located in a specific geographical area."

The City of Hartford's proposed Mortgage Disclosure Ordinance states (March, 1976):

"The systematic refusal of lending institutions to write commercial consumer, and residential loans or mortgages in certain specified urban neighborhoods, commonly referred to as redlining, is inimical to public health, safety and welfare."

The redlining of neighborhoods by urban lending institutions, based on a subjective judgment that certain neighborhoods are unstable and deteriorating, creates a self-fulfilling prophecy which hastens and fosters a neighborhood's "instability and decay."

With these statements as a base, a more detailed explanation of the concept of redlining by financial institutions is important to understand the process of neighborhood decline. The following diagram quickly demonstrates the sequence:



I. A Healthy Neighborhood

There is a strong demand for housing in the area, and availability of conventional mortgages from a multiplicity of lending institutions. Property values are stable or rising. Home improvement loans are readily available, and the housing stock is in excellent condition.

II. Arrival of Minority Tenants and Homeowners

Minority residents of the neighborhood increase in numbers to a point which makes existing white residents and real estate agents uncomfortable. "Steering" and "blockbusting" concentrates minority residents on certain streets or in certain areas.

III. Perception of Decline

The belief by financial institutions that a neighborhood is on decline, and safer investments are to be found elsewhere, i.e., suburbs.

IV. Disinvestment

Stringent loan requirements are set, and the neighborhood is targeted for disinvestment. Potential home owners for the redlined neighborhood are steered to other areas. Federal Housing Authority (FHA) insured loans replace conventional loans to limit risk. Home Improvement loans for the redlined neighborhood are curtailed or denied.

V. and VI. Absentee Owners and Deterioration

As disinvestment procedures are set in motion, the neighborhood begins its physical decline. Conventional financing is cut off from the neighborhood and real estate speculators with ready cash buy up homes and sell quickly. Absentee landlords predominate, code violations increase, fires and abandoned homes are on the rise.

VII. and VIII. Prophecy Fulfilled

The lenders' original prophecy is now a reality. Trash and garbage becomes dispersed and uncollected, buildings become over-populated.

IX. Urban Renewal

The abandoned, deteriorated neighborhood is now "ripe for the bulldozer". At this stage, the city or banks have become the landlord by default for much of the property. This property is then sold to well-connected developers who redevelop the area for commercial and upper income people. Conventional financing reappears for the new developments, and the cycle is begun. In most cases those people who once inhabited the area have now been forced to other areas of the city.

Anyone familiar with Hartford will recognize the sequence by travelling from:

- 1) In the North End from South Arsenal, to Clay Hill, to Upper Albany, to Blue Hills or
- 2) In the South End from South Green, to Park Street, to Behind the Rock.

The actual methods by which financial institutions may initiate the unjust and mechanical manipulation of a neighborhood or city's future are as follows:

- 1) Requiring down payments of a higher amount than are usually required for financing comparable properties.
- 2) Fixing loan interest rates in amounts higher than those set for mortgages elsewhere.
- 3) Fixing loan closing costs in amounts higher than those set for all or most mortgages in other areas.
- 4) Fixing loan maturities below the number of years to maturity set for all or most mortgages in other areas.
- 5) Refusing to lend on properties above a prescribed maximum number of years of age.
- 6) Refusing to make loans in dollar amounts below a certain minimum figure, thus excluding many lower-priced properties often found in redlined neighborhoods.
- 7) Refusing to lend on the basis of presumed "economic obsolescence", no matter what the condition of an older property may be.
- 8) Stalling on appraisals.
- 9) Setting appraisals in amounts below what market value actually should be or what the "buyer" offered to pay, thus making home purchase transactions more difficult to accomplish.
- 10) Applying rigid structural appraisal standards to one area and not to another.
- 11) Charging discount "points" as a way of discouraging financing.

It is important to understand:

- 1) The actual practice or net effect of a bank's decision-making criteria is what redlines an area whether or not the bank has a "written" rule against the area or even an "official policy" statement forbidding redlining.
- 2) The greater the actual geographical area that is redlined, the more subtle the practice appears to the non-banker; some banks have a policy of "no loans" in the city because they have no branches in the city, but they willingly loan money into suburban towns where they have no branches. Other banks establish a pattern of limited loan activity in the city as a whole, hence urban buyers and sellers "never know what they're missing".

Section 31: Mortgage Loans Disclosed: City versus Suburb

The data compiled in Table I was taken from the Home Mortgage Disclosure Act statements prepared by Hartford area banks for 1-4 family units.

The table lists all Downtown Based Banks, Commercial, Savings, and Savings and Loans for the period January 1975-December 1975. The figures for both city and suburb categories are a total of Federal Housing Administration (FHA), Farm Housing Administration (FmHA), Veteran's Administration (VA), and conventional loans.

TABLE I: 1975 Home Mortgage Loans by City Banks
for HH-D SMSA*

Bank	Suburbs		City	
	\$	%	\$	%
C.B.T.	8,831,360	89.8	1,009,275	10.2
Hartford Home	8,900,130	92.7	701,200	7.2
Society	32,211,200	92.3	2,657,900	7.6
State Bank	7,154,000	92.1	612,000	7.8
Hartford Federal	21,421,925	85.6	3,598,250	14.3
United Bank	692,000	91.5	64,000	8.5
Charter Oak	396,154	75.0	131,650	24.9
Hartford National	2,597,800	95.7	116,000	4.2
Constitution	521,700	94.5	30,000	5.4
Mechanics	9,583,500	95.2	481,500	4.7
TOTAL	\$92,309,769	90.7	\$9,401,775	9.2

*Standard Metropolitan Statistical Area

Table I displays two (2) obvious facts concerning the blatant urban disinvestment of Hartford area banks:

- 1) Although each of these ten banks operate from a main office in the City and maintain an additional total of 35 branch offices in Hartford, the average mortgage loan portfolio is 90.7% suburban. In fact, the lowest percentage of mortgages in the suburbs at any bank is 75%.
- 2) Individual portfolio patterns vary from 24.9% City to 4.2% City. These ratios are significantly different and cannot be supported by a claim of unsafe or unsound business practice.

Section 32: Deposits Disclosed: Suburb versus City

The data compiled in Table II was taken from branch office deposit sheets filed with the Federal Deposit Insurance Corporation (FDIC) by Hartford area banks for 1975 (fiscal year May 1974-June 1975). Hartford Federal Savings and Loan and Hartford Home Savings & Loan statistics were not available from this source:

TABLE II: 1975 Deposits in City Banks for
Hartford SMSA*

Bank	Suburbs		City	
	\$	%	\$	%
Charter Oak	4,638,000	17.0	22,499,000	82.9
C.B.T.	213,572,000	24.8	644,612,000	75.1
Constitution	15,050,000	49.2	15,514,000	50.7
Guaranty	7,359,000	29.2	17,767,000	70.7
Hartford National	165,063,000	13.8	1,022,923,000	86.1
Mechanics	100,770,000	39.3	153,261,000	60.3
Society	633,628,000	60.4	414,604,000	39.5
United Bank	27,268,000	33.3	54,548,000	66.6
State Bank	82,657,000	43.0	109,425,000	56.9
TOTAL	1,250,005,000	33.7	2,455,153,000	66.7

* Deposits include Demand, Time, Public and Savings Deposits

Table II displays two obvious facts concerning the source of funds deposited in Hartford area banks:

- 1) Seven of eight banks received more city located deposits than suburban. In fact, an average of 66.2% of the deposits in these seven banks came from the City.
- 2) Although Society For Savings received more deposits from suburban sources, the amount it received from City deposits (\$414,604,000) approached the total of all suburban deposits in all of the other banks put together (\$616,377,000).

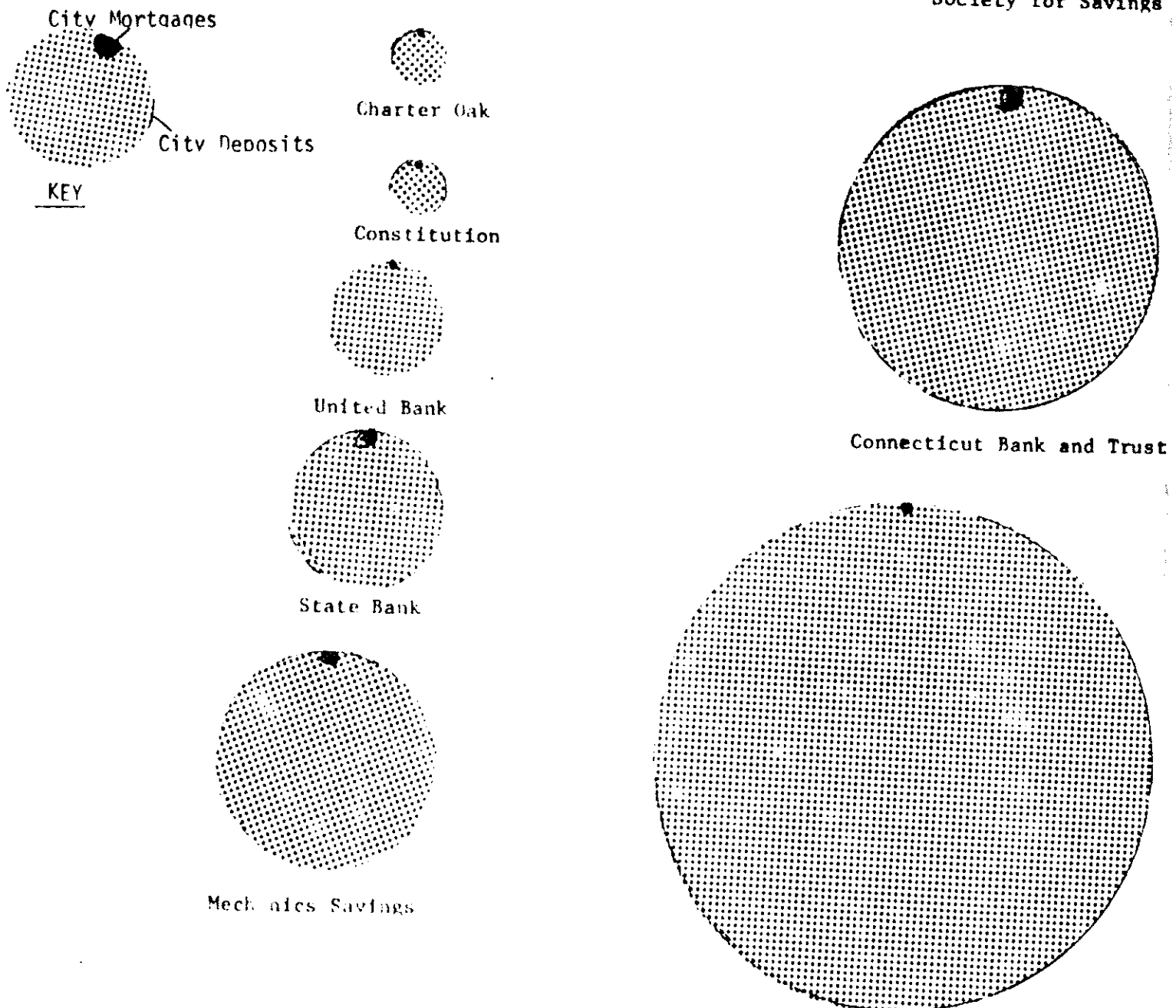


The information presented in Tables I and II, demonstrates the callous disregard of financial institutions for the City of Hartford. Not only are these banks loaning disproportionately in the suburbs, but they are using city deposits to finance growth, stability and profits in mostly white, wealthy towns.

A comparison of city deposits versus city mortgage loans of 1-4 family homes shows the crippling cash flow away from those who deposit the most:

TABLE III: 1975 City Deposits versus City Mortgage Loans for Hartford Banks
Hartford SMSA

The diagrams display the relative size of City located deposits among banks as well as the relative size of City mortgage loans to such deposits.



The Boomerang Effect

One particular category of City-located deposits demands further discussion; i.e., The City Employees Pension Fund. This fund is currently being used by banks to undermine the real estate values in the City.

The City of Hartford's Pension Fund is currently valued at approximately \$50,000,000 (December 1976). There is no report available yet, however.

City Pension Fund Deposits as of December 1975

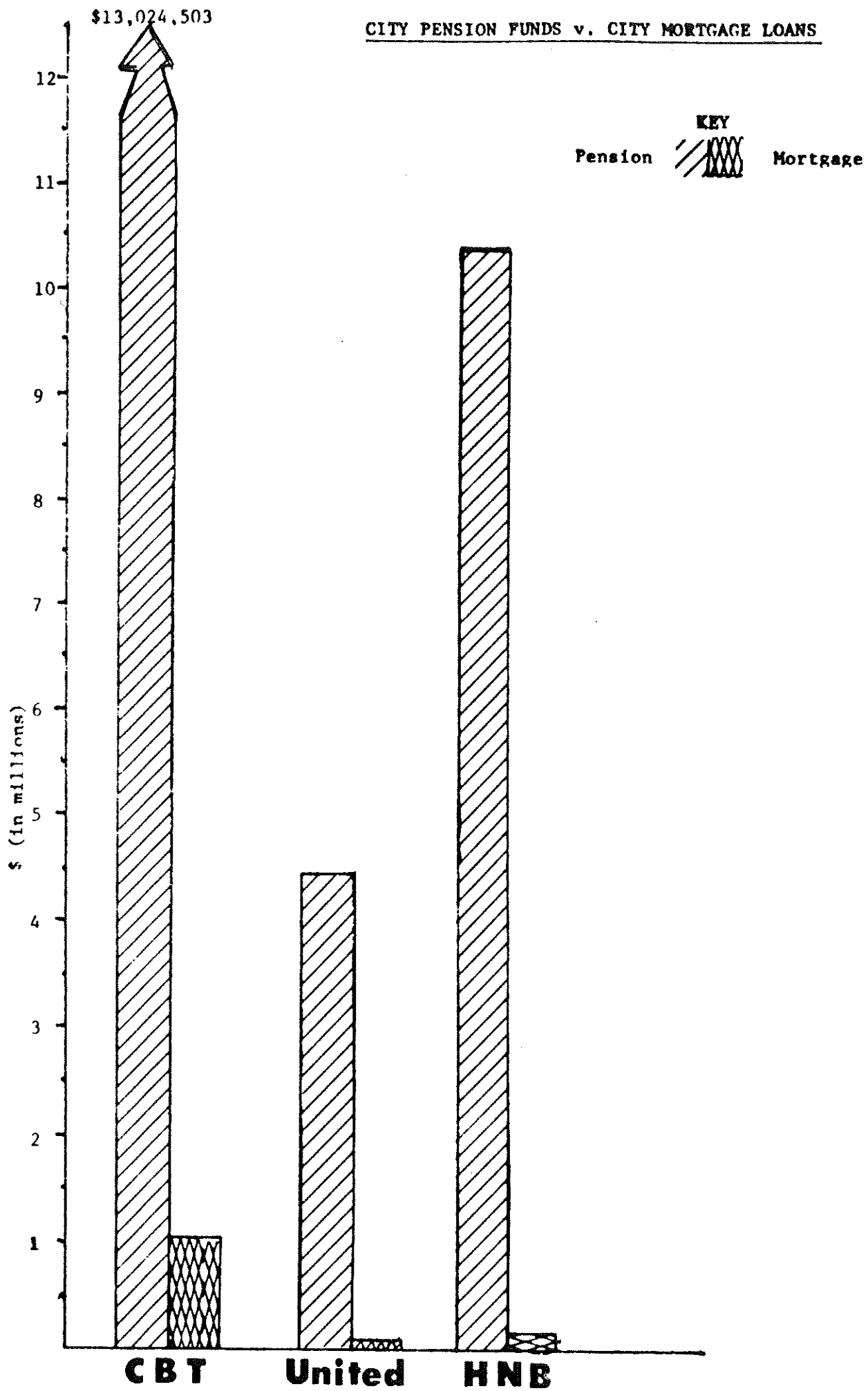
	<u>Cost of Investments</u>	<u>Approximate Market Value</u>
Hartford National Bank	\$ 10,750,815	\$ 9,435,540
Connecticut Bank and Trust	13,024,503	11,708,817
United Bank and Trust	4,273,867	4,458,446
Aetna Life Travelers	Approximately \$33,000,000 between both companies	

To illustrate the social and financial irresponsibility of banks in accelerating the decline of Hartford real estate values, let us examine Hartford National Bank and Trust's lending decisions:

Tables I and II showed us that Hartford National Bank received \$1,022,923,000 in city-located deposits versus a return investment in city property of \$116,000....an incredible ratio of almost \$10,000 to \$1. Two of the three loans represented by this meager investment are federally insured for 97%.

Now look at the microscopic mortgage loan portfolio in the City versus long-term time deposits in the form of Employees Pension Fund:

City Pension Deposits vs. City Mortgages by Bank 1975



To add insult to injury, Hartford National Bank financed 11 mortgages in the fourth quarter of 1975 from the City Employees Pension Fund ... all to the suburbs:

Pioneer Drive	West Hartford
Candlewood Drive	West Hartford
Bell Street	Glastonbury
Diana Lane	Windsor
Marguy Street	Quaker Hill
Smith Drive	West Hartford
Sunrise Hill	West Hartford
Beacon Hill Drive	West Hartford
Arlington Road	West Hartford
Ledge Road	West Hartford
Beacon Hill Drive	West Hartford

Of course, such suburban oriented use of the City's Pension Fund had to be approved by the Hartford Pension Commission.

Presently the Pension Commission invests city money according to the following criteria:

- 1) safety of investment
- 2) return of the investment

City Pension money in Hartford National, Connecticut Bank and Trust, and United Bank is invested outside of Hartford, based on the "safe and profitable" principle. Actually financial institutions are betting against the City of Hartford with City pension money. This boomerang decision is supported by the non-action of city officials to monitor public money with socially responsible criteria. The shortsightedness of such decisions have boomeranged by maintaining and condoning a redlined city.

In 1976, the City of Hartford decided to allocate approximately \$500,000 to the Connecticut Savings and Loan in an effort to support a minority-owned bank. Connecticut Savings and Loan has reported that in 1976 the bank invested \$526,000 in the city, a 100%+rate of return relative to City Pension Fund deposits.

The interesting fact is that Connecticut Savings and Loan is the only bank with Pension Fund deposits which must report on rate of return and investment in the City. Hartford National, Connecticut Bank and Trust, and others do not have to report back to the City on rate of return. This is a blatant example of racism against the only Black bank in the state.

Section 34: Neighborhood Strangling: Intra City Mortgage Loans

Sections 31-33 have focused on the urban/suburban cash flow through bank decision-making. Such proof of the existence of urban disinvestment is just a silhouette. As we now examine closer intra-city patterns, we can distinguish the actual undermining of certain geographic areas by looking at:

- 1) The racial effect of banks lending practices in Hartford
- 2) The actual risk taken by banks in conventional loans versus FHA insured loans
- 3) A zip code analysis of mortgage loans (for indications of redlining between neighborhoods, within a redlined city).



Table IV is the data breakout for Intra City mortgages in 1975 (January-December). The % minority column is taken from the 1970 census and represents minority figures for each zip code independent of other zip codes. Most of the percentages have changed significantly since 1970, with a larger minority population resulting from the growth.

A rough comparison of zip code to urban neighborhood follows:

06105 - Westend	06106-Southwest
06114 - Southeast	06112-Blue Hills
06120 - Clay Hill/South Arsenal	

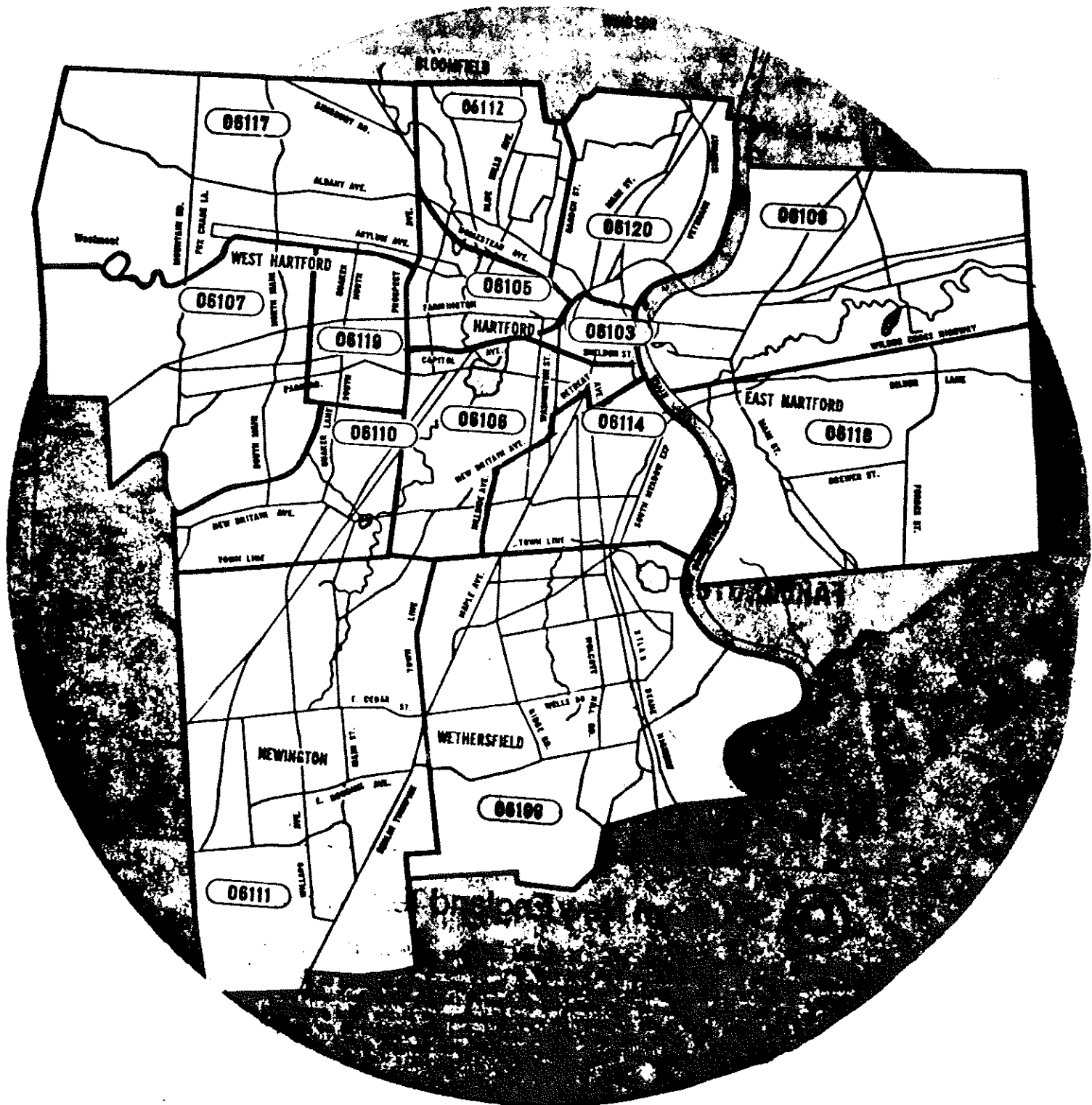


TABLE V - INTRA CITY MORTGAGES IN 1975

ZIP CODE	CONVENTIONAL										FHA				
	06105	06106	06112	06114	06120	06105	06106	06112	06114	06120	06105	06106	06112	06114	06120
% minority	6.1 %	6.8%	61.9%	2.4%	75.0%	6.1%	6.8%	61.9%	2.4%	75.0%	6.1%	6.8%	61.9%	2.4%	75.0%
Society	5.8 %	40.0%	16.1%	32.3%	3.4%	10.9%	29.5%	46.9%	11.2%	1.2%					
C.B.T.	55.3	21.8	10.2	10.8	1.6	-	39.9	43.1	16.9	-					
Hartford Federal	5.8	40.0	25.8	25.9	2.3	7.0	29.3	40.8	21.6	0.9					
Mechanics	36.2	26.6	11.4	25.6	-	-	-	-	-	-					
Hartford Home	28.7	27.9	17.7	25.6	-	-	-	100.0	-	-					
State Bank	38.3	43.2	13.8	4.7	-	21.1	26.8	37.3	-	14.8					
Hartford* National	-	-	-	-	-	-	16.3	23.2	-	-					
Constitution	-	-	-	100.0	-	-	-	-	-	-					
United Bank	-	-	-	100.0	-	-	-	-	-	-					
Charter Oak	-	9.2	-	90.8	-	-	-	-	-	-					
% of loans in Zip code	24.3	31.6	17.5	26.5	1.7	8.7	30.0	44.7	16.4	1.6					

* Hartford National Bank has one conventional loan of \$70,000 in 06103;

The data in Table V puts into reality the concept of redlining in the different stages of disinvestment. Beginning with 06120 (Clay Hill) a definite pattern of redlining is evident, since the highest percentage of conventional loans in this zip code is 3.4% by Society For Savings. Only 3 out of 10 banks listed invested in 06120 in either the FHA category or conventional loan category. It is interesting to note State Bank put 14.8% of their FHA mortgages into 06120, but again these are federally insured loans. The point is State Bank has no branch offices in this Hartford zip code, yet leads those banks with Hartford branches for the 06120 category.

The minority composition (Black and Spanish Surname) of 06120 according to 1970 statistics was 75%. Education/Instruccion estimates the figure is 99% in 1977. It is, therefore, important to notice the racial implications of the banks' decision to put few mortgages into the Clay Hill Neighborhood.

It is unfortunate that applicant information is not available; however, YA BASTA Report 8, pp.156-171 discusses artificial barriers to formal applicants.

The next zip code area we examine is 06112 (Blue Hills Neighborhood). This neighborhood, again, is demonstrating quite clearly another stage of redlining. This stage is showing that disinvestment by banks has already begun in the conventional loan category, while the FHA loans in 06112 are the highest in the city. To clarify this, the average investment of conventional loans in Blue Hills is 17.5%, the second lowest is 06120 (1.7%). The FHA column shows 06120 with 44.7% of FHA loans within the city. This is the highest concentration of FHA in the city, the second highest being in 06106. This demonstrates a growing lack of confidence on the part of the banks in 06112.

The racial effect of such disinvestment in Blue Hills is once again revealing. The minority make-up for Blue Hills according to the 1970 census was 61.9%. Education/Instruccion estimates the current figure to be 75% in 1977.

The whole topic of FHA should be further studied. The concentration of FHA loans in 06112 is potentially detrimental to the neighborhood because:

- 1) As an area becomes heavily concentrated with FHA, a rejection by an FHA appraiser based on location, will make banks hesitant to finance conventionally.
- 2) In a survey done by Education/Instruccion in 1975, there were inconsistencies with FHA appraisals for several homes located on the same street. These inconsistencies appeared in both the value category and rating category (Core City or Other City), and contributed heavily to the subjectivity of the appraisal.

Section 35: Evidence of Redlining and Admission of Guilt

Report 9 produces convincing evidence of the existence of redlining. A clear individual case in 1975 involved a refused loan applicant (Eddy and Marilyn Clayton), the Ernest B. Gilmour Agency, a Newington appraiser and Connecticut Bank and Trust on a property at 41 Kenyon Street, Hartford. This case was brought to the attention of bank officials and was swept under the rug. The great problem in producing a large quantity of individual cases include:

- 1) Lack of access to appraisals
- 2) Intimidation felt by customers and real estate agents from banks
- 3) Lack of applicant statistics and public information.

BANKS FORMING GROUP TO PREVENT 'REDLINING'

On January 19, 1977 The Hartford Courant published news of a Banking Industry's proposal for a nine-member panel with the power to prevent redlining of city neighborhoods. This proposal is too little too late, but does serve as an obvious **admission** of guilt by the Banking Industry, which has steadfastly denied the existence of redlining.

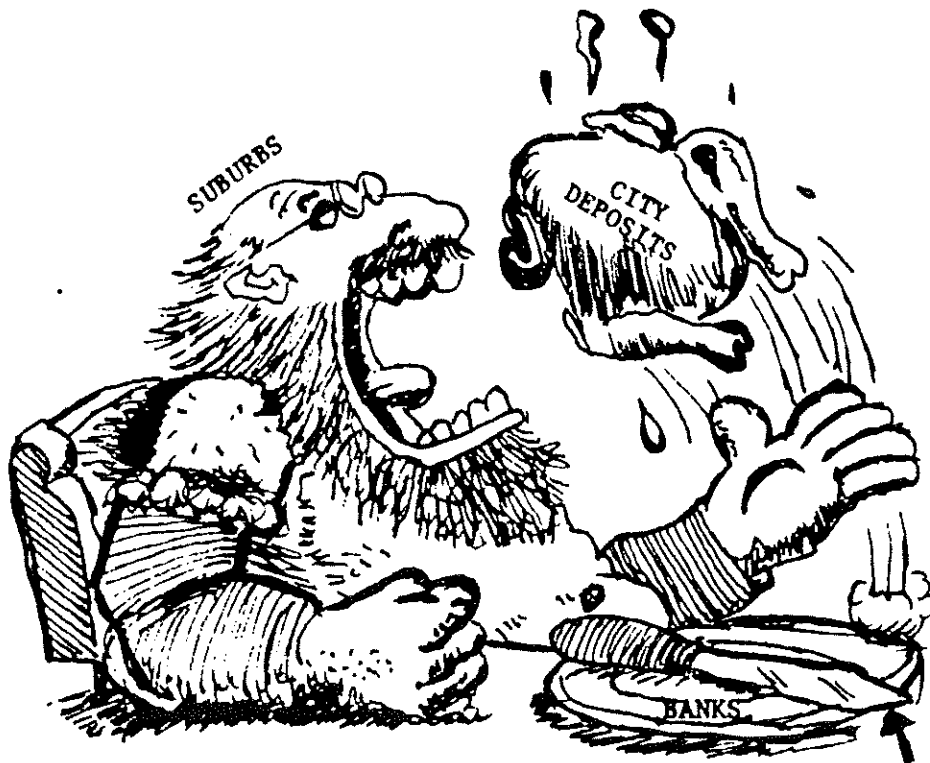
The proposal is worth brief examination if only to understand the mind set of the industry as it attempts to prevent full disclosure to the public of its activities, and seeks to protect guilt bank officials from punishment.

The proposal provides a rejected mortgage applicant with a "hearing" (closed to the public) for the purpose of reviewing the rejected loan application. The panel may confirm the disapproval or recommend approval of the loan application subject to whatever modifications deemed necessary. The revised loan conditions are then re-offered to the loan applicant and the original bank. If the bank refuses a second time, the mortgage loan is made by a bank participating in the plan (in rotation) subject to availability of mortgage funds.

The proposed nine member panel scheme fails to meet the problem directly:

- 1) In the proposal there is no mention, explanation, or definition of redlining, except for the phrase, "so-called redlining".
- 2) The Review Panel membership is heavily weighted with real estate industry representatives (6 of 9) with no civil rights or consumer protection groups involved. The meetings are secret.
- 3) The appraisal process is not mentioned, nor is a statistical disclosure involved.
- 4) The aggrieved applicant does not have any advocate or technical assistance at the meeting.
- 5) There is no provision for collection of statistics on mortgage applicants so that overall patterns can be seen. The hearings should include collection and disclosure of applicant details (race, sex, income), location (census tract), type of home (single, multi-family), and type of loan (amount, points, interest, etc.)

- 6) The ten-day appeal limit is too short a time to formally file a complaint because the applicant may wish to thoroughly assess his/her situation, using alternate sources and appraisals before he/she decides they have been discriminated against.
- 7) The proposed plan does not specify FHA/VA loans are included in the review.
- 8) Although all of the bank participants in the plan have already agreed not to redline (through 1975 Voluntary Plan to promote Fair and Open Housing) this new plan proposes no punishment or consequences for the bank or bank officials involved in the red-lining.
- 9) In summary, self-regulation has never been an effective, strong means of enforcing civil rights law and social responsibility. The plan appears to be based on self-regulation and intentionally ineffective.



Lending Practices

Section 36: Anti-Disinvestment RecommendationsA. Professional Associations

- 1) The Connecticut Bankers Association (CBA), the Savings Bank Association of Connecticut (SBA), and the Savings and Loan League of Connecticut (SLLC) should secure the Federal Home Mortgage Disclosure Act figures for the entire state, analyze the data for redlining patterns and practices, and publish their findings.
- 2) The CBA, SBA, and the SLLC, should sponsor a series of public discussions and workshops to help all citizens and professionals understand the problem of urban disinvestment and to propose special solutions for the future.

B. City

- 1) The City Council should adopt a strong disclosure ordinance requiring all banks doing business with the City to reveal deposits by census tract (to be matched with Federal Home Loan Disclosure Act figures of mortgage loans by census tract)
- 2) The City Treasurer should deposit funds and accounts in banks which will significantly increase their mortgage loan activity in the City of Hartford. City bonds should also be sold with such performance in mind.
- 3) The City Pension Commission should deposit long term time deposits based on affirmative lending plan submitted to the City by each bank.
- 4) The City should operate, manage and control a city-owned bank. This bank should underwrite home mortgage and rehabilitation loans in geographic areas where the current banking system is failing to provide necessary financial resources.
- 5) The City Investment Committee should establish guidelines to affirmatively invest public funds in socially worthwhile enterprise.
- 6) The City Council should commission a study of FHA practices and investments in the redlining process and litigate the matter where appropriate.

C. State

- 1) The Governor should issue an Executive Order creating a study commission on Mortgage and Lending Practices by Lending Institutions in Connecticut. Such a commission should include industry members, civil rights groups and community organizations. (Such a study was conducted in 1974 by Governor Walker of Illinois).

- 2) The State Treasurer should adopt an Affirmative Depositing Program pertaining to state funds and accounts for banks which are re-investing in Connecticut's urban centers.
- 3) The State Banking Department should collect and analyze Federal Home Mortgage Disclosure Act data and make public findings and recommendations for any deficiencies.
- 4) State lawmakers should take note of the problems presented by the existence of redlining and the net effects to racial minorities, women and the poor. Such recognition should:
 - a) Outlaw redlining (mortgage discrimination based solely on location)
 - b) Prohibit appraisal and underwriting techniques which facilitate redlining
 - c) Create a state-bank to complement lending patterns of existing financial institutions
 - d) Require banks to disclose race, sex, income, etc. of loan applicants
 - e) Require banks to analyze the credit needs of each of its service areas and submit a re-investment plan for that area annually
 - f) Require banks to disclose deposits by census tract
 - g) Re-adjust state deposits in banks which will help create stable neighborhoods.